



## Small Businesses and the Affordable Care Act

Many Illinois small business owners are wondering how the Affordable Care Act (ACA) will affect their company's current health insurance plan, or whether they might be able to afford a plan for the first time through a new financial assistance program created under the law. This fact sheet provides a brief explanation of the ACA's impact on health insurance for small businesses.

### **As a small business owner, how can I purchase health insurance for my employees?**

Illinois small business owners with 50 or fewer employees will have the opportunity to shop for coverage online, by phone, or with a paper application through the Health Insurance Marketplace Small Business Health Options Program (SHOP). Employers will be able to search for plans available in their area across all participating private insurance companies, and the SHOP website will organize options by premium price and other plan attributes. The SHOP Marketplace will be open for plan selection on October 1, 2013, with coverage beginning January 1, 2014. For the 2014 plan year, employers using the SHOP Marketplace will select one plan for their employees. Beginning in 2015, an employer will be able to select a fixed contribution amount and tier of coverage from which an employee may choose any plan.

More information about the SHOP is available at: <https://www.healthcare.gov/small-businesses>

### **What is the Small Business Health Care Tax Credit? Who is eligible?**

The ACA established the Small Business Healthcare Tax Credit to provide small employers with assistance in paying their share of employee insurance premiums. Employers with fewer than 25 full-time equivalent employees<sup>1</sup> with average annual wages of less than \$50,000 who cover at least 50% of premiums at the single (employee-only) coverage rate are eligible for the credit. For tax years 2010 through 2013, the maximum credit is 35% of premium contributions for small business employers and 25% of premium contributions for tax-exempt small employers. For tax years 2014 and beyond, the maximum credit increases to 50% for small businesses and 35% for small tax-exempt organizations. Beginning in 2014, the tax credit is available exclusively to employers purchasing coverage through SHOP and may only be claimed for two years.

More information about the Small Business Health Care Tax Credit is available at:  
<http://www.irs.gov/uac/Small-Business-Health-Care-Tax-Credit-for-Small-Employers>

### **Will there be new consumer protections in the coming year?**

Yes. Beginning in 2014, insurers will be prohibited from charging businesses more for insurance based on employee health factors, and there will be new limits on charges to those businesses with older employees. Additionally, plans will not be allowed to exclude benefits based on pre-existing health conditions for any person (this provision is already in effect for those under age 19).

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<sup>1</sup> For the Small Business Health Care Tax Credit, the number of full-time equivalent employees can be calculated by adding the number of full-time employees to the annual number of hours worked by part-time employees divided by 2080.



# illinois health insurance marketplace

## **What are the Employer Shared Responsibility Provisions (“employer mandate”)?**

Employer shared responsibility rules create penalties for large employers who do not provide their full-time employees with quality, affordable health insurance. In July 2013, the U.S. Department of the Treasury announced that implementation of the Employer Shared Responsibility Provisions would be delayed until 2015.

## **Do the Employer Shared Responsibility Provisions apply to small businesses?**

No. Employers with fewer than 50 full-time equivalent employees are exempt from employer shared responsibility rules and are not penalized for not providing insurance or not providing insurance that meets the law’s minimum standards.

## **What is the penalty for large employers who fail to offer any coverage to their employees?**

Employers with 50 or more full-time equivalent employees<sup>2</sup> that do not offer health insurance to all full-time employees will be assessed a tax penalty equal to \$2,000 multiplied by the number of full-time employees minus 30. For example, a business with 80 full-time employees that does not offer insurance would be assessed a penalty of \$100,000 (\$2,000 multiplied by 50). While part-time employees count toward determining whether a business has 50 or more full-time equivalent employees, the penalty itself is only applied if a full-time employee is not offered affordable, quality coverage and receives financial help on the Marketplace to purchase a plan that meets minimum standards under the Affordable Care Act.

## **What is the penalty for employers who offer coverage that fails to meet the ACA standards?**

Employers with 50 or more full-time equivalent employees offering coverage which does not meet the ACA’s standards for affordability (premium not exceeding 9.5% of household income) and minimum value (covering at least 60% of total health care costs) will be assessed a tax penalty equal to \$3,000 multiplied by the number of employees receiving federal tax credits to purchase coverage on the individual Marketplace<sup>3</sup>, up to a maximum of \$2,000 multiplied by the number of full-time employees minus 30.

More information about the Employer Shared Responsibility Provision is available at:

<http://www.irs.gov/uac/Newsroom/Questions-and-Answers-on-Employer-Shared-Responsibility-Provisions-Under-the-Affordable-Care-Act>

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<sup>2</sup> The calculation of full-time equivalent employees for the purposes of determining employer eligibility for tax penalties differs from that for calculating the small business tax credit. For the purposes of the tax penalty, the number of employees working 30 or more hours per week is added to the number of hours worked by part-time employees in a calendar month divided by 120.

<sup>3</sup> In general, employees with incomes between 100% and 400% of the federal poverty level (between \$11,490 and \$45,960 for an individual and between \$23,550 and \$94,200 for a family of 4 without access to other forms of health insurance are eligible for federal tax credits to purchase individual coverage.